Press Release of 12 September 2013

Canton Basel-Stadt plans a balanced budget for 2014.

The Canton Basel-Stadt is budgeting for a 2.2 million franc surplus in 2014. Due to higher social costs, increased contributions to Basel University and the University of Applied Sciences of North-Western Switzerland along with the expansion of daycare facilities and public transport, the Canton's operating result for budgetary year 2014 will be worse compared to the previous year. Cantonal tax revenue and the distribution of direct federal taxes will increase slightly in budget year 2014 whilst net contributions to National Financial Equalisation will fall temporarily. Due to high investments, new debts of 194.9 million francs will be incurred. It is thus expected that the net debt ratio will increase from 3.9‰ in 2013 to 4.2‰ in 2014.

Slight surplus in the income statement

The Canton Basel-Stadt is expected to achieve a 2.2 million franc surplus in 2014. Compared to the result expected for 2013, the hypothecated operating result will be 44.4 million francs lower. The measures planned by the Governing Council in core areas will lead to increased expenditure in the 2014 budget of 12.9 million francs compared to the 2013 budget. The increase in relation to core areas is mainly caused by the higher contributions to Basel University and the University of Applied Sciences of North-Western Switzerland and the expansion of daycare facilities and public transport. Factors which the government has difficulty in influencing, also have a negative effect: various positions in the social sector have led to increased expenditure of CHF 23.1 million. The highest individual positions are the cost increases for supplementary old-age and invalidity benefits (CHF 8.5 million) and reductions for health insurance premiums (CHF 6.1 million), followed by the disabled (CHF 4.0 million) and social assistance (CHF 2.6 million). The increase in the number of school pupils, which is also not taxable, caused additional teaching costs of CHF 4.4 million. The abolition of the charge for exemptions from fire-fighting duty resulted in the loss of income of CHF 6.1 million. By contrast, the reduction in public sector payments to hospitals led to fall in expenditure of CHF 10.0 million.

Despite tax cuts, overall tax revenue will be slightly higher in 2014

According to current profit estimates for 2013, slightly higher tax revenue is to be expected for legal persons. This is in spite of the fact that tax payable on profits and income taxes have been cut. In 2013, which is relevant for the 2014 budget, income tax was cut by a half of one percent to 22.5% and taxes on profits were cut by the same amount to 20%. Due to this tax cut, revenue from income tax is expected to stagnate, whilst less revenue is expected from property taxes and back taxes and penalty charges from natural persons. Alongside the slight increase expected in 2014 in cantonal tax revenue, there will also be an increase in tax revenue from direct federal taxes. The reason for this is the better economic development in 2013, which will operate as the basis for tax revenue in 2014.

Rathaus, Marktplatz 9, CH-4001 Basel
E-mail staatskanzlei@bs.ch
Internet www.regierungsrat.bs.ch
Telephone +41 61 267 80 54
Fax +41 61 267 85 72

Lower payments to Financial Equalisation and higher payments out of the socio-demographic equalisation of burdens mechanism

The National Financial Equalisation (NFE) for 2014 is based on economic development between 2008 and 2010. Compared to the previous year, the extraordinarily positive year for Basel-Stadt of 2007 is not included in the calculation, which means that the Canton will be temporarily required to pay significantly less into resource equalisation. At the same time, due to an increased poverty indicator (*inter alia* as a result of an increase in figures for social assistance and the elderly), it will receive a higher contribution in 2014 from the socio-demographic equalisation of burdens mechanism. The net contribution for 2014 amounts to CHF 102.6 million, which corresponds to a reduced burden of CHF 12.2 million francs compared to the 2013 budget.

High investments result in new debts

The level of investment is also high in the 2014 budget; overall, total investments amount to CHF 391.0 million. Larger investments are being made *inter alia* in school renovation and construction as part of the construction measures for school harmonisation and the expansion of daycare facilities, the enlargement of the Fine Arts Museum and the new building for the School of Design of the University of Applied Sciences of North-Western Switzerland. The Canton is also investing in the maintenance of infrastructure (such as roads, sewers and railways) and the Rhine shore promenade in St. Johann along with the grandstand at the St. Jakob sports facility in Brüglinger Flatland.

Given the high investments, the level of impairment of major investments has increased to around CHF 129 million. Around CHF 196.1 million of new investments are self-financing, giving a self-financing ratio of 50.2%, thus resulting in a shortfall in the 2014 budget for total financing, and hence new debts of CHF 194.9 million. The net debt ratio is expected to increase from 3.9‰ of Swiss gross domestic product in 2013 to 4.2‰ in 2014.

Outlook with an almost balanced result and high investment

A slight deficit is forecast from 2015 onwards in the 2014-2017 finance plan. Costs will increase mainly due to health and social costs such as reductions for health insurance premiums, social assistance and care home financing, although also due to higher education costs and the return to increases in resource equalisation payments at a higher rate than revenue growth. Over the plan period, net debts will increase by one billion francs from CHF 2.6 billion in 2014 to CHF 3.6 billion in 2017. However, the development in the overall result is only responsible for a small part of the rise in net debts. This rise is rather due to the high investments in Basel-Stadt as a business location, which has led to an increase in net debts and thus also of the net debt ratio.

Net annual investments during the plan period of CHF 400 million are on a very high level. In the further future, high investments will also be made in school buildings as part of the construction measures for school harmonisation and daycare facilities. A number of schoolhouses will also have to be brought into line with current building requirements during the plan period. In addition, enlargement work on the Fine Arts Museum, new buildings for the State Archive and the Natural History Museum, measures to implement the Act on the Equal Treatment of the Disabled in Public Transport, the expansion of the municipal sewage treatment plant ARA Basel and investments in infrastructure such as roads, sewers and public transport (railways, the Margarethenstich tram project etc.) along with the development of the new Erlenmatt city quarter and the expansion of the 2020 tram network contributed to this high level of investment. The increased investments also resulted in a rise in the level of impairment over the plan period. Alongside net investments, the investment account total also includes loans from managed assets. These will increase significantly over the coming years due to the procurement of trams by BVB, university investments and the granting of independent status to dentistry.

The Governing Council is convinced that these investments are a good idea, even if new debts will have to be incurred. The self-financing ratio of investments over the entire plan period is lower than 100%, and will be 37% in 2017. Therefore, significant new debts and an increase in the net debt ratio to 5.3‰ are expected over the entire planning period. Thus, at the end of the planning period it will still however be 1.2‰ lower than the threshold value of 6.5‰, at which the debt cap would take effect. The good results, debt reduction and moderate spending policy over recent years have enabled the necessary room for manoeuvre to be created for this. Nonetheless, there will have to be a certain degree of prioritisation of investments over the coming years in order to maintain such room for manoeuvre also in the eventuality of unforeseen events so that, even in such a situation, the debt cap will not apply.

Further information

Governing Council Member Dr. Eva Herzog Tel. 061 267 95 50
Director of the Finance Department

Dr. Peter Schwendener Tel. 061 267 96 01
Head of Financial Administration

References

- Key figures for Canton Basel-Stadt with comments
- Income Statement for Canton Basel-Stadt

Key figures for Canton Basel-Stadt

Annex 1

in millions of francs	Final amount 2012	Budget 2013	Budget 2014	Difference B14/B13 abs.	Difference B14/B13 %	Difference B14/R12 abs.	Difference B14/R12 %
Hypothecated operating result	-2'462.0	-2'552.0	-2'596.3	-44.4	-1.7	-134.3	-5.5
Non-hypothecated operating result	2'573.9	2'542.3	2'564.9	22.5	0.9	-9.0	-0.3
Impairment	-120.4	-130.2	-134.1	-3.9	-3.0	-13.7	-11.4
Operating result (income statement)	**-8.5**	**-139.8**	**-165.5**	**-25.7**	**-18.4**	**-157.0**	**-1838.5**
Financial result	**191.6**	**146.6**	**167.8**	**21.1**	**14.4**	**-23.8**	**-12.4**
Overall result	**183.0**	**6.8**	**2.2**	**-4.6**	**-67.4**	**-180.8**	**-98.8**
+ impairment of major investments	114.5	123.3	129.0	5.7	4.6	14.5	12.7
+ impairment of minor investments	4.5	4.9	5.6	0.7	14.3	1.1	24.4
+ amortisation of pension fund - special financing of beneficiaries		52.3	54.2	1.9	3.6	54.2	100.0
+ impairment of investment contributions	5.8	6.9	7.8	0.9	13.0	2.0	34.5
- liquidation of investment contributions received			-2.8	-2.8	-100.0	-2.8	-100.0
+/- changes to hypothecated equity	61.9			0.0	0.0	-61.9	-100.0
Self-financing	**369.8**	**194.2**	**196.1**	**1.9**	**1.0**	**-173.7**	**-47.0**
Investment expenditure	-256.9	-339.3	-374.8	-35.5	-10.5	-117.9	-45.9
Investment income	47.9	28.3	11.0	-17.3	-61.1	-36.9	-77.0
Net investments	**-209.1**	**-311.0**	**-363.8**	**-52.8**	**-17.0**	**-154.8**	**-74.0**
Changes to loan/participation in managed assets	-363.8	-61.9	-27.2	34.7	56.1	336.6	92.5
Investment account total	**-572.8**	**-372.9**	**-391.0**	**-18.1**	**-4.8**	**181.8**	**31.7**
Total financing	**-203.0**	**-178.7**	**-194.9**	**-16.2**	**-9.0**	**8.1**	**4.0**
Self-financing ratio in %	**64.6**	**52.1**	**50.2**				
Net debts	**2'191.4**	**2'370.1**	**2'565.0**				
Net debts as a percentage of Swiss GDP	3.7	3.9	4.2				

Income Statement for Canton Basel-Stadt

Annex 2

	Final amount	Budget	Budget	Difference B14/B13		Difference B14/R12	
in millions of francs	**2012**	**2013**	**2014**	**abs.**	**%**	**abs.**	**%**
30 staff costs	-1'098.2	-1'180.6	-1'186.0	-5.4	-0.5	-87.8	-8.0
31 Material costs and operating costs	-478.1	-436.6	-449.4	-12.8	-2.9	28.7	6.0
33 Impairment of managed assets	-119.0	-128.2	-134.6	-6.4	-5.0	-15.6	-13.1
35 Fund deposits/special financing	-39.4	0.0	0.0	0.0	0.0	39.4	100.0
36 Transfer costs	-1'762.3	-1'813.4	-1'842.8	-29.4	-1.6	-80.5	-4.6
Costs	**-3'497.0**	**-3'558.7**	**-3'612.8**	**-54.1**	**-1.5**	**-115.8**	**-3.3**
40 Tax revenue	2'511.9	2'518.0	2'528.6	10.6	0.4	16.7	0.7
41 Levies and licences	16.5	34.2	33.5	-0.7	-2.1	17.1	103.7
42 Fees	387.7	358.4	351.5	-6.8	-1.9	-36.1	-9.3
43 Miscellaneous revenue	53.6	0.1	2.3	2.2	…	-51.3	-95.7
45 Fund withdrawals/special financing	18.8	0.0	0.0	0.0	0.0	-18.8	-100.0
46 Transfer revenue	500.0	508.2	531.2	23.1	4.5	31.2	6.2
Revenue	**3'488.4**	**3'418.9**	**3'447.2**	**28.3**	**0.8**	**-41.2**	**-1.2**
Operating result	**-8.5**	**-139.8**	**-165.5**	**-25.7**	**-18.4**	**-157.0**	**…**
34 Financial costs	-109.8	-143.5	-135.8	7.7	5.4	-26.0	-23.7
44 Financial income	301.4	290.2	303.6	13.4	4.6	2.2	0.7
Financial result	**191.6**	**146.6**	**167.8**	**21.1**	**14.4**	**-23.8**	**-12.4**
Overall result	**183.0**	**6.8**	**2.2**	**-4.6**	**-67.4**	**-180.8**	**-98.8**
Total costs	**-3'606.8**	**-3'702.2**	**-3'748.6**	**-46.3**	**-1.3**	**-141.8**	**-3.9**
Total revenue	**3'789.8**	**3'709.1**	**3'750.8**	**41.7**	**1.1**	**-39.0**	**-1.0**